

ARMY IMPLEMENTATION OF PERFORMANCE-BASED LOGISTICS

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On April 1, 2002, Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASAALT) Claude M. Bolton signed a letter directing the Army to implement Performance-Based Logistics (PBL) on all acquisition category (ACAT) I and II programs where economically and operationally feasible. This action was taken to comply with guidance from the Quadrennial Defense Review; the FY03-07 Defense Planning Guidance; Change 1 to the DoD 5000.2-R, *Mandatory Procedures for Major Defense Acquisition Programs and Major Automated Information System Acquisition Programs*; and a Feb. 13, 2002, letter from the Under Secretary of Defense for Acquisition, Technology and Logistics.

So, what is PBL? The Office of the Secretary of Defense (OSD) defines PBL as "a strategy for weapon system product support that employs the purchase of support as an integrated performance package designed to optimize system readiness. It meets performance goals for a weapon system through a support structure based on performance agreements with clear lines of authority and responsibility."

Perhaps a simpler way of defining PBL is to say that PBL:

- Buys results not resources,
- Buys a solution or an outcome not process and methods, and

- Uses performance specifications not design specifications.

Finally, PBL is about transferring the responsibility for outcomes from the customer to the support provider. An important thing to note about the PBL methodology is that it applies equally to all providers: organic, contractor, or a partnership between the two.

All Program Executive Officers (PEOs) and Program Managers (PMs) of Army ACAT I and II programs, new and fielded (including subsystems and components), are required to assess their programs for the application of PBL. At this time, PEOs and PMs have the option of applying the PBL approach to ACAT III programs.

DoD 5000.2-R requires PEOs and PMs to identify a product support integrator from either DOD or the private sector. Activities coordinated by support integrators can include functions provided by organic organizations, private sector providers, or a partnership between organic and private sector providers. The PM is also directed to invite the military Service logistics activities and the Defense Logistics Agency to participate in product support strategy development and integrated product teams.

To determine the optimum product support concept, the PBL methodology should be applied against all elements of integrated logistics support (ILS). Supportabil-

ity analyses should consider the following:

The ACAT. Currently, only ACAT I and II programs are required to evaluate their systems for PBL application. However, all ACATs *may* evaluate their system for possible PBL application.

The Commodity. The Army acquires and supports a wide variety of equipment. The PBL approach may not be appropriate in all cases. PEOs and PMs should consider the following:

- Will the equipment be issued to Table of Organization and Equipment (TO&E) or Table of Distribution and Allowances (TDA) organizations?
- Is the equipment a commercial off-the-shelf item or a full-up research and development item?
- Are there any safety, health, or other hazardous conditions created by operation or support?
- Are there any security issues involved with the operation or support?
- What is the technology refreshment period for this commodity, and how frequently does the technology change?
- Will the commodity be operated or maintained by military personnel?

Service Life. Where is the system in its life cycle? How much service life is remaining? Is there sufficient

service life left to get an acceptable return on investment or to affect a significant improvement on system readiness?

Systems Operational Requirements Document. After identifying the product support requirements and system performance requirements that impact ILS, can the PBL approach meet these requirements? Are there requirements that would be considered enablers or barriers to the application of PBL?

Statutory Limitations. Are there any legal limitations? Examples of statutory limitations include the logistics core competencies, depot maintenance workload, and competition between public and private organizations.

Regulatory Limitations. Would the application of PBL violate any current policies or Army regulations? These were designed to establish standard rules for the operation of logistics functions, such as maintenance, supply, transportation, training, and information technology.

A specific example within the category of information technology is the use of a Standard Army Management Information System (STAMIS). Would the application of PBL require a nonstandard information system?

Any actions taken under the PBL approach must be transparent to the field user and operate within standard Army systems and policies. Would contractor-on-the-battlefield policies be violated under PBL? Can the Army maintain total asset visibility of all assets under PBL initiatives? Does the PBL approach use standard distribution hubs?

Linking Requirements To Higher-Level Strategic Measures. The system-specific measurements must link with the Army and DOD strategic goals. These higher-level strategic plans outline performance metrics that should be considered when PEOs and PMs apply PBL.

The results of the supportability analyses and the recommended concept should be outlined in a business case analysis (BCA). The U.S. Army Cost and Economic Analysis Center validates the BCA.

The key documentation after the application of PBL is the Performance-Based Agreement (PBA). The PBA can come in many forms, i.e., Memorandum of Understanding or Agreement, Materiel Fielding Plan or Agreement, or the Performance Plan and Agreement (currently used in the Recapitalization Program). The number of PBAs can range from one (between the PM, the warfighter, and the Product Support Integrator (PSI)) to several (one between the PM and the warfighter; one between the PM and the PSI). The minimal contents of a PBA include but are not limited to:

- Identification of realistic, quantifiable, and measurable metrics;
- Identification of the roles and responsibilities of all stakeholders for the collection, processing, analysis, and reporting of performance data;
- Identification of the roles and responsibilities of all stakeholders for the planning, programming, and distribution of funds;
- Identification of the data and the source of the data to be collected;
- A description of the data elements and formula for calculating the critical metrics;
- A statement of the frequency and format for reporting results;
- A formal performance review;
- A formal dispute resolution process; and
- Signatures of each stakeholder indicating acceptance of the agreement.

The following are just a few of the numerous sources that can help in completing the analysis described in this article and in documenting the BCA and PBA:

- *Product Support for the 21st Century, A Program Manager's Guide to Buying Performance*, November 2001 at <http://www.acq-ref.navy.mil/reflib/1101pblguide.pdf>;

- The Office of Federal Procurement Policy, *A Guide to Best Practices for Performance-Based Service Contracting* at <http://www.arnet.gov/Library/OFPP/BestPractices/PPBSC/BestPPBSC.html>;

- The *Guidebook for Performance-Based Services Acquisition (PBSA) in the Department of Defense*, December 2000 at <http://www.acq.osd.mil/ar/doc/pbsaguide010201.pdf>;

- *Constructing Successful Business Relationships, Innovation in Contractual Incentives*, February 2001 at <http://acqnet.saalt.army.mil/library/final/finalfrm.htm>; and

- The DOD-sponsored *Business Case Model For The DoD Logistics Community: A Guide to Business Case Development*, September 1999 at http://www.acq.osd.mil/log/logistics_materiel_readiness/organizations/lpp/assets/product_support/final%20bcm.pdf.

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